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Natalie Brown 07/31/2007 03:00:37 PM From DB/Inbox: Search Results

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Text:

C O N F I D E N T I A L AMMAN 01218

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CXAMMAN:
ACTION: ECON
INFO: RSO USAID AMB RAO CONS ISU PA POL DCM

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: CDA:DRUBINSTEIN
DRAFTED: TREAS:BGRANT
CLEARED: ECON: REASON

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TO RUEHC/SECSTATE WASHDC PRIORITY 7669
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
INFO RUEHTV/AMEMBASSY TEL AVIV PRIORITY 0480
RUEHJM/AMCONSUL JERUSALEM PRIORITY 4359

C O N F I D E N T I A L SECTION 01 OF 02 AMMAN 001218

SIPDIS

E.O. 12958: DECL: 03/08/2017
TAGS: [EFIN](#) [PTER](#) [KTFN](#) [PREL](#) [ECON](#) [JO](#)
SUBJECT: TREASURY UNDER SECRETARY LEVEY'S MEETINGS IN AMMAN

REF: A. AMMAN 886
[1](#)B. 06 AMMAN 8361

Classified By: Classified by CDA Daniel Rubinstein, Reason 1.4 (d).

SENSITIVE

[1](#)1. (C) Summary: In separate meetings with Jordan's Deputy Prime Minister/Finance Minister Ziad Fariz and Central Bank of Jordan (CBJ) Governor Umayya Toukan during his March 5th visit to Amman, Treasury Under Secretary for Terrorism and Financial Intelligence Stuart Levey discussed Jordan's draft anti-money laundering law, the USG's financial and economic strategy towards Iran, and recent press reports concerning Arab Bank. End Summary.

[1](#)2. (C) Fariz provided Levey with an overview of the Jordanian economy and the Government of Jordan's (GoJ) vision for economic reform. Levey emphasized that the draft Anti-Money Laundering (AML) law currently before Parliament is not only in step with this vision, but is in fact vital to its successful implementation as its passage would send a strong signal of transparency to the international financial community. Noting that the AML law has been pending before Parliament for more than two years, he cautioned Fariz that Jordan may come to be viewed as a high risk jurisdiction by international banks if an AML law is not passed in the near future.

[1](#)3. (C) Levey acknowledged that while some parliamentarians may incorrectly view the AML law as an "American" concept being pushed upon Jordan, he stressed that the passage of an AML law was in Jordan's best interests. Fariz agreed that some MPs view the AML law in this manner, but stated that in spite of this, Parliament is "not in a bad mood about the law" and is "on the verge" of passing it. The backlog of important legislation before Parliament, such as the Municipalities Law, is causing the delay, he maintained.

Despite this delay, the Central Bank has moved aggressively to issue anti-money regulations under existing legislation. In his view, "the system is, to a large extent, secure."

¶4. (C) Using as an example the USG's experience with the international financial community's reaction to Iranian illicit financial activities, Levey stressed the importance of managing reputational risk. According to Levey, as the USG has explained deceptive Iranian financial practices to financial institutions, major international banks have responded by limiting and, in some cases, eliminating completely their exposure to the Iranian market. These financial institutions have said they took this action in order to avoid the reputational damage that could result from the unwitting facilitation of illicit financial transactions. That banks are willing to curtail lucrative business dealings with Iran demonstrates the importance financial institutions attach to safeguarding their reputations. The passage of a strong AML law, Levey explained, would help reassure foreign investors and financial institutions that Jordan is a safe place to do business.

¶5. (C) Fariz responded that, as a former banker himself, he understands the importance of reputation to both the financial community and the country as a whole. Deputy Central Bank Governor Fariz Sharaf, also in attendance at the meeting, added that the GoJ is serious about enforcing U.N. Security Council Resolution 1737 regarding Iranian proliferation activities, and that the Central Bank has circulated the 1737 Annex to all financial institutions and has mandated compliance with the financial provisions of the resolution.

¶6. (C) In a subsequent meeting, Central Bank of Jordan Governor Umayya Toukan and Deputy Governor Sharaf expressed bewilderment at the continued stagnation of the draft AML law before Parliament. Toukan stated that despite his advocacy for the law before the Council of Ministers and the Prime Minister, the GoJ has yet to succeed in its job of convincing Parliament to pass it.

¶7. (C) Levey thanked the CBJ for its cooperation with the Treasury Department on financial intelligence unit (FIU) development, but lamented the lack of progress on the AML law. Returning to the earlier theme of financial sector risk management, he stated that this incomplete legal framework was preventing Jordan's financial services sector from realizing its potential and raised the possibility that foreign banks might begin to view Jordan as a high-risk jurisdiction.

¶8. (C) Sharaf agreed, but argued that despite the appearance of a lack of progress, the CBJ has significantly strengthened its AML regime over the past two years. For example, the AML law was redrafted with World Bank assistance, and a number of different compliance-related regulations have been issued. He also expressed his appreciation for the technical assistance he has received from the U.S. Treasury Department, and stated that the creation of an effective FIU should be a simple "turn-key" operation once the law is passed.

¶9. (C) Turning to a discussion of recent negative press reporting on Arab Bank, Toukan explained that Arab Bank is the "jewel of the Jordanian banking system," and that someone is repeating old allegations about the bank to keep it the focus of negative press attention. NOTE: A March 3 Los Angeles Times article reiterated allegations of providing financial support to terrorism contained in a private civil suit against Arab Bank. (See refs A and B for more detail about the civil suit.) END NOTE. He said that Arab Bank has implemented a robust compliance system which has drawn praise from Bank of Israel Governor Stanley Fischer.

¶10. (C) Levey replied by emphasizing that Arab Bank did have significant problems with its internal AML controls at the time of the 2005 Office of the Comptroller of the Currency (OCC)/Financial Crimes Enforcement Network (FinCEN) civil penalty assessment against the Bank, a fact which the Bank's

leadership implicitly acknowledged by overhauling its regulatory compliance function and hiring a new team of compliance executives. Note: In August 2005, the Office of the Comptroller of the Currency and the Financial Crimes Enforcement Network levied a joint \$24 million civil penalties assessment against Arab Bank for violations of the Bank Secrecy Act. End Note. While the past cannot be changed and Arab Bank should be held accountable for its mistakes, Levey said that he has been informed that the Bank has acted positively over the past year, particularly by refraining from transactions with the HAMAS-affiliated elements of the Palestinian Authority. Levey reiterated that the USG is not involved in the private civil suit against the Bank.

11. (U) This message was cleared by Under Secretary Levey.

Rubinstein